



CITY COUNCIL AGENDA REPORT

MEETING DATE: January 5, 2004

ITEM NUMBER:

SUBJECT: ADOPTION OF VANTAGECARE RETIREMENT HEALTH SAVINGS PROGRAM

DATE: DECEMBER 23, 2003

FROM: ADMINISTRATIVE SERVICES DEPARTMENT

PRESENTATION BY: KAREN L. ADAMS, RISK MANAGER

FOR FURTHER INFORMATION CONTACT: Karen L. Adams, Risk Manager (714) 754-5095

RECOMMENDATION:

Adopt the ICMA Retirement Corporation VantageCare Retirement Health Savings Program effective January 1, 2004 and authorize the Mayor and Director of Finance (as Plan Trustee) to execute all documents necessary to adopt and implement this employee benefit plan.

BACKGROUND:

On August 18, 2003 City Council approved certain changes to the City's Retired Employees Medical Program provided under City Council Policy #300-1. Part of this action called for the establishment of a defined contribution plan component to augment the retiree medical benefits to be provided to current and future employees of the City. Under the defined contribution plan approved by City Council, the employee and the City will each make a 1% of base salary contribution to the plan on a cost-sharing basis.

The ICMA Retirement Corporation VantageCare Retirement Health Savings Program ("RHS plan") has been selected by staff and the Benefit Review Committee as the type of defined contribution plan offering the most advantageous benefit and administrative features for employees and the City. The RHS plan is offered exclusively by ICMA Retirement Corporation. ICMA Retirement Corporation (ICMA-RC) also serves as the administrator of the City's Section 401(a) plan established in 2000.

ANALYSIS:

To implement the RHS plan, the following series of documents must be adopted and executed by City Council:

1. Declaration of Trust of the City of Costa Mesa Integral Part Trust – establishes the trust that will hold the assets and income of the plan for the exclusive benefit of plan participants and beneficiaries. The Director of Finance will be designated as the plan Trustee by position title.

2. Costa Mesa Retiree Healthcare Expense Reimbursement Plan – establishes the welfare benefit plan that is the subject of the Trust, as well as its general administrative provisions.
3. Resolution Adopting VantageCare Retirement Health Savings Program – the City Council action that formally adopts the RHS plan.
4. Employer VantageCare Retirement Health Savings (RHS) Plan Adoption Agreement – establishes the specific participant eligibility criteria, contribution types and amounts, and other administrative procedures particular to Costa Mesa's plan.
5. Administrative Services Agreement Addendum – will amend the existing agreement between the City of Costa Mesa and ICMA-RC to incorporate the additional services to be provided for the RHS plan.

Fees assessed by ICMA-RC for RHS plan services are paid by the plan participants, and are similar to those paid by employees under the 457 deferred compensation programs. There are no employer fees for the RHS program.

ALTERNATIVES CONSIDERED:

Different types of defined contribution plans were studied and considered by staff and the Benefit Review Committee. These included Section 401(h) medical accounts and Voluntary Employees' Beneficiary Association (VEBA) plans in addition to RHS. The RHS plan was found to offer the most advantageous contribution methods, tax treatment and administrative features for participants, their beneficiaries, and the employer.

FISCAL REVIEW:

There will be no administrative fees assessed to the employer under the VantageCare RHS plan. Employee participants will pay a fee of \$30 per year, or .4% of the annual account balance (for accounts greater than \$7200), deducted quarterly from the employee's account.

Funding for the 1% of salary employer contribution from January 1, 2004 – June 30, 2004 is included in the 2003-2004 fiscal year adopted budget.

LEGAL REVIEW:

The attached documents have been reviewed and prepared by the City Attorney and are approved as to form.

CONCLUSION:

The adoption and execution of the attached five (5) documents will implement the defined contribution benefit plan component of the City's Retired Employees Medical Program effective January 1, 2004, as approved by City Council on August 18, 2003. It is therefore recommended that City Council approve and authorize the Mayor and the Director of Finance (as the appointed RHS Plan Trustee) to execute the necessary documents.

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Risk Manager

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Administrative Services Director

MARC R. PUCKETT
Director of Finance

TOM WOOD
Acting City Attorney

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City Attorney
Finance Director
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ATTACHMENTS: 1 [Declaration of Trust of the City of Costa Mesa Integral Part Trust](#)
2 [Costa Mesa Retiree Healthcare Expense Reimbursement Plan](#)
3 [Resolution Adopting the VantageCare Retirement Health Savings Program](#)
4 [Employer VantageCare Retirement Health Savings \(RHS\) Plan Adoption Agreement](#)
5 [Administrative Services Agreement Addendum](#)

File Name

Date

Time